

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AF-10 ARA-11 EUR-12 NEA-10 SOE-02
AID-05 CEA-01 CIAE-00 DODE-00 EB-08 DOE-15 H-01
INR-10 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05
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FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 3585
INFO AMEMBASSY JAKARTA
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY PARIS
USLO PEKING
AMEMBASSY ROME
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
CINCPAC
USDOC WASHDC

C O N F I D E N T I A L HONG KONG 12892

SEOUL FOR AMBASSADOR GLEYSTEN

E.O. 11652: GDS
TAGS: ENRG, ETRD, CH
SUBJECT: STATUS REPORT ON PRC PETROLEUM INDUSTRY

1. FOLLOWING IS SUMMARY OF HONG KONG A-112, A STATUS
REPORT ON THE PRC PETROLEUM INDUSTRY.

2. INCREASINGLY DEPENDENT ON FOREIGN EXCHANGE EARNINGS
FROM PETROLEUM EXPORTS TO UNDERWRITE AMBITIOUS ECONOMIC
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GROWTH PLANS, THE PRC HAS EMBARKED ON A LONG-TERM OIL
AND GAS RESOURCE DEVELOPMENT PROGRAM BASED ON EXTENSIVE
EXPLORATION AND DEVELOPMENT OF NEW FIELDS, BOTH ONSHORE
AND OFFSHORE. PARTICIPATION OF FOREIGN FIRMS IN OFFSHORE
DEVELOPMENT, THE TERMS OF WHICH ARE CURRENTLY UNDER NEGOTIA-
TION, FIGURES PROMINENTLY IN THE PLAN, AS DOES LARGE-SCALE
PURCHASE OF SOPHISTICATED EXPLORATION AND DRILLING EQUIP-

MENT. APART FROM FOREIGN EXCHANGE CONSIDERATIONS, THE LENGTHENED PLANNING VIEW AND OUTWARD FOCUS ARE PRAGMATIC RESPONSES TO A SLOWDOWN IN THE GROWTH OF PRODUCTION AT OLDER ONSHORE FIELDS AND AN ACCELERATION IN THE GROWTH OF EXPORT COMMITMENTS. CRUDE OIL OUTPUT WILL PROBABLY INCREASE BY 9 TO 11 PERCENT THIS YEAR, TO A TOTAL OF 98 TO 100 MMT, WHILE EXPORTS WILL LIKELY GROW BY 12 PERCENT TO AN ESTIMATED 11.8 TO 12.0 MMT.

3. PROJECTIONS OF PRC PETROLEUM INDUSTRY PERFORMANCE THROUGH 1985 INDICATE THAT ALLEGED PRESENT PLANS EVISAGING OUTPUT OF SEVERAL HUNDRED MILLION TONS OF UNDERSEA OIL IN THE NEXT 8 TO 10 YEARS ARE EXCESSIVELY OPTIMISTIC BUT THAT THE PRC WILL HAVE NO DIFFICULTY IN MEETING ITS PLANNED EXPORT COMMITMENTS, EVEN WITH MODEST OFFSHORE PUTPUT. MORE WORRISOME, HOWEVER, ARE THE INDICATIONS THAT THE PRC WILL ENCOUNTER SERIOUS SHORTFALLS IN REFINING CAPACITY IN THE EARLY 1980'S IF A SUBSTANTIAL PRTION OF POHAI GULF OIL IS CONSUMED DOMESTICALLY AND UNLESS THE ANNUAL RATE OF GROWTH IN CAPACITY IS INCREASED SUBSTANTIALLY OVER THAT WHICH HAS PREVALED IN THE LAST DECADE.

4. SANITIZED VERSION OF A-112 WILL BE AIR POUCHED TO DEPARTMENT FOLLOWING TRANSMISSION OF THE ORIGINAL.

5. COORDINATED WITH HKDLO.
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